



European
Commission

Fertilisers Market Observatory

Summary Meeting - 24 November 2023

- o The EU Fertiliser Market Observatory started the meeting with a welcome message of the Commission. Given the 2021 and 2022 energy crisis, have significantly affected the European Union's fertiliser and agriculture sectors. The expert group's objective is to create a forum for sharing market analysis, encompassing both immediate and medium-term perspectives, with the goal of enhancing the ability to project and respond to market trends.
- o A presentation on the global outlook of fertilisers' market was given by Argus Media Limited. Topics such as the major price drivers, the trends and how they impact production were introduced as well as natural gas, ammonia, nitrogen, phosphate, and potassium outlooks. The development of major fertiliser prices depends on the global market, which is currently unstable. Fertiliser buyers globally are risk adverse after having incurred losses over the two last years. The fall on grain price in recent months combined with increased running costs, the war in UA and extreme weather events are pressuring affordability for farmers.
- o Gas remains a key driver for nitrogen prices, and it was clarified that no production curtailments are currently expected in the EU. More demand is expected from India, while Russia supplies should remain stable. October 2023 was a record month for urea exports from Russia, whereas the tensions in the Middle East have not yet impacted the market. In the case of phosphate, the first quarter was firm, and a return of the big markets is expected in beginning 2024. Potash market is stable in Europe. EU remains a premium market for all fertilisers' which explains their high price.
- o The Commission announced the extension of the Agri-food data portal to the fertiliser sector. Three applications were deployed and made available to the public, monthly average prices by nutrients, fertilisers products and inputs production and trade.
- o The Commission then made a market presentation with a particular focus on trade aspects by fertiliser group and most traded products. Production seems to have recovered but remains slightly below previous year's average. Imports of nitrogen fertilisers are still high; the most imported fertiliser is urea mainly from Egypt and Russia while there are significant differences between Member States both in term of volumes and main trade partners. Concerning phosphate, the volume of imports is below the five-year average, in particular in the first half of 2023. Phosphate rock is the most imported input material; since 2022 imported volumes substantially decreased and the share by main trade partners is more distributed. Russia remains a large supplier. Imported volumes of finished phosphoric fertilisers, mainly superphosphates, are much lower and set well below the five years average. For potash and potash fertilisers, potassium chloride is the most imported product, mainly from Canada, and imports significantly decreased in the latest two years. Imports of mixed fertilizers, increased in the second half of the year. NPK in terms of volume is the product most imported and mainly supplied from Russia.
- o An overview of the development of the fertilisers industry and its challenges was presented by representative members of the fertilisers industry. The volatile and high energy gas prices hamper competitiveness of the EU based fertilisers industry, and generated spikes on imports. The questions of ensuring open strategic autonomy and of limiting the dependency on unstable regions, in terms of energy, fertilisers were posed, in view of potential implications on food security. Fertilizer Europe representatives introduced their pathway towards decarbonisation. The cost of conversion of industrial facilities to produce green ammonia and its challenges were largely commented highlighting the need of the right political framework to achieve it (including creating a demand for low fossil nitrogen fertilisers).
- o Discussions were also framed by a presentation by COPA on the farmers practices in terms of fertilisers use; use efficiency, agronomic practices, product costs and expected benefits are they key criteria of selecting which products to use.

- o The session was concluded by a discussion between members on various topics. The importance of affordability of fertilisers for farmers' decision was highlighted. With the current level of prices of cereals, demand remains sluggish for nitrogen fertilisers. Farmers have covered most of their needs in nitrogen for the 2023/24 cycle and may not complement before next February, if needed and possible given the ratio between fertilisers and agricultural prices. Concerning phosphates and potash, the demand is also low, and concerns were expressed on the decreased fertilisation rates for the third year in a row for these nutrients.
- o The expert group discussed the risks that might shift the balance of the market, such as enlargement or the escalation of conflict in Mid-East, affecting the production of nitrogen fertiliser in Egypt, although at this stage they do not affect fertilisers markets.
- o A consensus between several members was reached on the importance of EU-based fertiliser production to decrease Europe's dependency from unreliable partner and supplies disruptions due to geopolitical issues. Investments are needed according to several members for green technology, as well as on blue ammonia, but also challenging since there is insufficient availability of renewables and poor visibility, thus EU should create a market for the products of such technologies.
- o The monitoring of the importation of ammonia into the European markets was suggested by the members as a useful and relevant source of data especially for nitrogen fertilisers. The potential of precision farming in reducing the use of mineral fertilisers consumption and recycling of nutrients, in particular from wastewater, was highlighted by several members. Recovery of phosphorus is promising.
- o Questions were raised over the availability and level of stocks of fertilisers, the European industry observed that they expect to meet the demand.
- o Other members raised the issue of the absence of a risk management tool about price volatility of fertilisers with poor availability of hedging tools.
- o APEP (Association de Producteurs Européens de Potasse) provided an overview of the potash sector in EU; potash is mined in two EU member states (Germany, Spain), which provide sufficient volume to cover regional EU needs. Trade seems to have rebalanced following the cease of imports from Belarus in 2022, and prices have moderated, since the prices' shot up in 2021/2022. It was also stated that global capacity exceeds demand, and that this situation is not expected to change any time soon. Concerns were raised over how will the associations and companies reactivate the demand of potassium, as well as the risk of soil infertility, because of farmers' gave priority to nitrogen (urea) instead of the more expensive mixed fertilisers that include potassium.
- o ECOFI (European Consortium of the Organic-Based Fertiliser Industry) introduced the benefits for the farmers to switch to organic fertilisers (e.g., traceability, more safety etc). It was also explained that the market, although growing, still faces several regulatory challenges (e.g., clarification on the use of animal by-products, elaboration of harmonised standards etc) and is poorly documented in terms of data.
- o The next meeting will take place on 5 June 2024.